

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

236.2

THE BUREAU OF REPAIR SERVICES
A NEED FOR OPERATIONAL AND
MANAGEMENT IMPROVEMENT

DECEMBER 1975

Respectfully submitted,



Glen H. Merritt
Chief Deputy Auditor General

December 16, 1975

Staff: Robert J. Maloney
Edwin H. Shepherd



Joint Legislative Audit Committee

OFFICE OF THE AUDITOR GENERAL

California Legislature



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December 23, 1975

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of
the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

The Bureau of Repair Services carries a national reputation for consumer protection and ranks first in California for satisfaction of consumer complaints. However, the Bureau is not statutorily authorized to review repair services when the provider has failed to register. Existing law permits unqualified persons to register. Both of these situations should be reviewed by the Legislature.

The audit staff responsible for this review and report are Robert Maloney and Edwin Shepherd.

Respectfully submitted,

MIKE CULLEN, Chairman
Joint Legislative Audit Committee

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SUMMARY

Our review of the Bureau of Repair Services disclosed administrative practices that reduce the Bureau's effectiveness. Although the Bureau of Repair Services is doing an adequate job representing the consumer, several changes should be made to improve the processing of complaints.

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Current management practices delay the processing of consumer complaints for 17 days to over a year. The bureau is not taking adequate steps to ensure that the consumer knows of the bureau's existence and that the bureau is the proper agency to contact if the consumer has a complaint.

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Bureau field representatives in Los Angeles and San Jose do not receive sufficient management information to properly evaluate service dealer business practices.

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The Bureau of Repair Services lacks the means to take effective action against incompetent service dealers

because there are no repair standards and any person can enter the service field without being required to demonstrate technical competence. 14

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The collection of all delinquent renewal and non-registration fees by the Bureau of Repair Services (rather than the Division of Investigation) would save \$25,600 annually, and allow the bureau to use this money for other bureau needs. 18

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INTRODUCTION

In response to a legislative request, we reviewed the operations of the Bureau of Repair Services (BRS) of the Department of Consumer Affairs. The BRS is one of 38 boards and bureaus in the Department of Consumer Affairs that regulate the practices of various businesses, professions and vocations in the state.

Background

The bureau was created by Chapter 1492, Statutes of 1963, to regulate and provide consumer protection in the electronic service and repair industry. On June 30, 1973, the bureau was given the additional responsibility of regulating major home appliance service and repair.^{1/} On June 30, 1975, its responsibilities were expanded to include antenna installation and repair.^{2/}

Electronic service dealers service or repair television, radio, audio or video recorders and playback equipment. Appliance service dealers service or repair refrigerators, freezers, ranges, washers, dryers, dishwashers and room air conditioners. Antenna service dealers install, repair or service television and radio antennas or rotors.

^{1/} Chapter 1288, Statutes of 1972.

^{2/} Chapter 1355, Statutes of 1974.

Number of Registrants

The bureau regulates through registration and inspection of dealers, and by investigation of consumer complaints.

The bureau had 9,430 registered service dealers on June 28, 1974, consisting of 6,297 electronic service dealers, 2,722 appliance service dealers and 411 dealers with combined registrations. A combined registration entitles the service dealer to repair both electronic equipment and appliances.

On June 30, 1975, the bureau had 9,012 registered service dealers, consisting of 5,757 electronic service dealers, 2,781 appliance service dealers and 474 combined service dealers. By October 24, 1975, 52 antenna service dealers had registered.

Advisory Board

The advisory board to the Bureau of Repair Services consists of nine members appointed by the Governor for four-year terms. Two members represent the electronic industry, two represent the appliance industry and five have no industry-related employment. The board met four times in fiscal year 1974-75 to advise the Chief of the Bureau of Repair Services and to recommend policies and regulations pertaining to both the service industry and the welfare of the consumer public.

Staffing

The bureau has offices in Sacramento, Los Angeles and San Jose with a combined total of 16 employees. Sacramento serves as headquarters for the bureau. The table shows these 16 positions by function and location for the 1974-75 fiscal year. For the 1975-76 fiscal year the bureau has 16.6 positions budgeted, with 15.6 positions filled.

	<u>All Locations</u>	<u>Sacramento Office</u>	<u>Los Angeles Office</u>	<u>San Jose Office</u>
Management Personnel (Chief, Assistant Chief and Program Manager)	3.0	3.0	0	0
Clerical Staff	5.6	4.6	1	0
Field Representatives	<u>7.0</u>	<u>2.0</u>	<u>4</u>	<u>1</u>
Total Employees	<u>15.6</u>	<u>9.6</u>	<u>5</u>	<u>1</u>

The bureau's chief is responsible for administering the bureau's activities and managing its 15 employees. The chief is appointed by the Governor and serves at his pleasure. The present chief was appointed in October 1974, but not confirmed by the Senate. He presently serves in an acting capacity, and is waiting to be reappointed by the present administration.

Budget

During fiscal year 1974-75, the bureau operated on a budget of approximately \$534,000, financed by revenue from service dealer registration and renewal fees. Budgeted expenditures for fiscal year 1975-76 are \$576,000. On June 30, 1975, the BRS had accumulated surplus funds of \$383,500, an amount equal to about 67 percent of the bureau's 1975-76 budget. The following table shows the growth of the BRS accumulated fund balance.

Bureau of Repair Services
Accumulated Fund Surplus
Fiscal Years 1972-73 to 1975-76

<u>Fiscal Year</u>	<u>Surplus Available For Appropriation</u>
1972-73	\$ 276,629
1973-74	371,549 ^{a/}
1974-75	383,483 ^{b/ c/}
1975-76	318,931 ^{b/ c/}

Source: Governor's Budgets for 1974-75 and 1975-76

a/ Increase is partially due to the addition of appliance repair registration to BRS.

b/ Estimated by Department of Consumer Affairs.

c/ Surplus figures have not been adjusted for 1974-75 employee benefits and salary increases or employee benefits proposals for 1975-76.

Consumer Complaints and Dealer Investigations

During fiscal year 1974-75, the bureau opened 3,496 complaint cases and closed 3,482. On June 30, 1975, a backlog of 453 complaint cases was in various stages of completion.

BRS field representatives also conduct special investigations with investigators from the Division of Investigation, a separate division of the Department of Consumer Affairs. The Division of Investigation provides "investigative inspectional, and auditing services" to the boards and bureaus of the Department of Consumer Affairs.

During fiscal year 1974-75, the bureau opened, with the Division of Investigation, 28 special investigations of service dealers suspected of fraudulent activities; closed 23 special investigations; and had 17 investigations open and in various stages of completion on June 30, 1975. Of the 23 special investigations closed during fiscal year 1974-75, three resulted in administrative or criminal action against the dealer and 20 were closed with no action against the dealer.

FINDINGS

CURRENT MANAGEMENT PRACTICES DELAY
THE PROCESSING OF CONSUMER COMPLAINTS.

The Bureau of Repair Services is doing an adequate job representing the consumer. However, several changes can be made to the management and administrative procedures practiced by the BRS to improve the processing of complaints.

Many Consumers Are Not Made
Aware of the Existence of BRS

The consumer, in all cases, has not been informed that the bureau is the proper agency to process and resolve complaints.

The service dealer who accepts equipment for repair at his place of business must give the consumer a receipt or claim check that states in prominent type, "...For information contact the Bureau of Repair Services, Department of Consumer Affairs, Sacramento 95814".^{1/} The state laws and regulations governing the bureau and the service dealers do not require that the same notice be given to the consumer who has his equipment repaired in his home by a service technician.

The Chief of BRS estimates that 80 percent of equipment repairs are made in the consumer's home. The consumer who has equipment

^{1/} Title 16, California Administrative Code, Section 2724.

repaired in his home generally does not know who to contact to get information or resolve complaints.

Delays in Processing Complaints

When a consumer does complain to the bureau, several administrative procedures delay processing of the complaint.

Usually, a consumer's first contact with the bureau is by letter or telephone. The bureau then sends the complainant a complaint form to be completed and returned to the Sacramento office. This procedure creates a delay of at least one week from the time of initial contact to receipt of the completed form. In some cases, consumers did not complete the form to pursue a legitimate complaint.

Once they receive the complaint form, the bureau sends the service dealer a copy of the complaint and a dealer reply form. The dealer has ten days to answer the complaint in writing. When the dealer reply form is received (or after 14 days if the reply is not received), the appropriate field representative processes the complaint through a series of contacts with the consumer and the service dealer in an attempt to resolve the complaint. The field representative may also inspect the equipment or appear as an expert witness in a court action.

The Los Angeles office, in 1974, processed 59 percent of the bureau's complaints and the San Jose office processed 15 percent of the complaints. The remaining 26 percent of the complaints were processed by the Sacramento office. Even when a complaint originates outside the Sacramento field representatives' areas, the complaint form is sent to the consumer for completion to be returned to the Sacramento office. At Sacramento the complaint is logged in and forwarded to the Los Angeles or San Jose field office. This creates an additional five to ten day delay in the processing of the complaints.

The Los Angeles office staff, if augmented by one person, would be able to perform the complete processing of complaints there. This individual could be hired to fill the existing clerical vacancy in BRS. San Jose has no clerical staff and the workload is not sufficient to justify the addition of clerical personnel.

If the complaint is against a service dealer not registered with the bureau, the bureau sends the complainant a letter stating that BRS cannot process the complaint until the dealer is registered. BRS then attempts to register the dealer and, if successful, the complaint is processed. A Bureau of Repair Services form letter states, "Since our jurisdiction is limited to registered service dealers, we cannot proceed directly with your complaint."

BRS does not process complaints against dealers who are the subjects of special investigations*. Instead, these complaints are held until the special investigation is complete. This policy has delayed the processing of some complaints for a year or more.

In summary, BRS procedures delay complaint processing from 17 days to over a year.

Inadequate Prior History Information
At Los Angeles and San Jose Offices

In our opinion a proper evaluation of the current complaint cannot be made without knowing the service dealer's prior complaint history. The field representatives in Los Angeles and San Jose do not receive this information. They only receive a copy of the current complaint and the service dealer's reply. The prior history of the service dealer is maintained in Sacramento and is not forwarded to either the Los Angeles or San Jose offices to assist the field representative in the processing of the complaint.

* See pages 10 and 11 for further discussion of special investigations.

Insufficient Number of
Dealer Investigations

If the field representative remembers the service dealer's complaint history and considers that a pattern of violations exists, or believes that the current complaint warrants further investigation, the service dealer is selected for a special investigation. At present, each field representative has a list of at least ten service dealers suspected of either fraud or theft who should be subjects of special investigations.

A special investigation is conducted in conjunction with personnel from the Division of Investigation, Department of Consumer Affairs. It involves having the dealer repair two pieces of equipment with known defects and with all the parts carefully marked. The dealer is not told that the set he is repairing is state equipment. After the equipment is repaired, it is inspected by BRS field representatives, who are electronic or appliance technicians. These technicians inspect the equipment to determine if the dealer is:

- Charging for parts not replaced
- Charging for work not done
- Replacing good parts
- Making unneeded repairs.

If the field representative finds no evidence of fraud or theft on either of the two sets, the special investigation is usually terminated.

The bureau currently completes about 20 special investigations of service dealers a year. At this rate, it would take more than three years to investigate the 70 most-suspected service dealers identified by field representatives. During fiscal year 1974-75, BRS management curtailed special investigations at the Division of Investigation because of a lack of budgeted funds. The bureau's budget surplus of \$383,500 (see table on page 4) could be used to finance currently pending special investigations and to begin the special investigations of other suspected service dealers.

Additionally, the bureau is required by Section 9812 of the Business and Professions Code to "conduct spot check investigations of service dealers throughout the State on a continuous basis". The bureau is not currently performing this function.

CONCLUSIONS

The Bureau of Repair Services has not taken adequate steps to ensure that the consumer knows of the bureau's existence and that it is the proper agency to contact if the consumer has a complaint.

Management policies of the bureau have unnecessarily delayed the processing of consumer complaints.

Field representatives in Los Angeles and San Jose are not receiving sufficient management information to properly evaluate service dealers' business practices.

The bureau is conducting an insufficient number of special investigations of suspected service dealers, and is conducting no "spot check" investigations.

RECOMMENDATIONS

We recommend that the Bureau of Repair Services:

- Require all service dealers to give all consumers a receipt that states, in prominent type on the front, that the Bureau of Repair Services is the appropriate state agency to contact for information or for assistance in processing complaints.
- Accept consumer complaints by letter and telephone, and process complaints immediately without waiting for the service dealer's reply. The bureau should process complaints whether or not the service dealer is registered, and even if a special investigation is being conducted. If additional information is necessary, the complainant should be contacted directly.

- Employ one additional clerical staff at Los Angeles to process Southern California complaints and send an informational copies to Sacramento.
- Maintain at the Los Angeles office history files of service dealers in Southern California, and make copies of service dealer history files available to the San Jose field representative.
- Process all pending special investigations and make spot check investigations.

BENEFITS

The above recommendations will help ensure that all consumers know of the bureau's existence and that the bureau is available to assist the consumer. The recommendations will also serve to eliminate the current unnecessary delays in processing consumer complaints.

Special investigations and spot checks by the bureau will identify fraudulent dealers and will permit enforcement action to protect the consumer public.

The cost of additional clerical staff for the Los Angeles office is already included in the bureau's budget.

THE BUREAU OF REPAIR SERVICES LACKS THE
MEANS TO TAKE EFFECTIVE ACTION AGAINST
INCOMPETENT SERVICE DEALERS.

The BRS can successfully take legal action against service dealers who charge for work not done or who unnecessarily replace parts. However, because there are no repair standards, the BRS cannot usually take effective action against incompetent service dealers. Any person can enter the service field without being required to demonstrate competence.

Service Dealer Incompetence

Approximately 58 percent of the complaints received by the bureau during 1974 alleged poor workmanship on the part of the service dealer. A sample of these complaints indicated that about half were closed with an informal adjustment after bureau personnel contacted the service dealer regarding the complaint. The bureau's staff estimates that 75 percent of these poor workmanship complaints are the result of service dealer incompetency.

Repair Standards Have
Not Been Adopted

The BRS has not developed, and the Department of Consumer Affairs has not issued repair standards for service dealers under the jurisdiction of the BRS. Repair standards could reduce safety hazards to service dealers' employees and to consumers. Repair standards could also help eliminate unnecessary repairs and duplicate repairs needed because of poor workmanship on the first repair.

Section 9814 of the Business and Professions Code states that the Director of the Department of Consumer Affairs:

...may establish and enforce such regulations as may be reasonable for the conduct of service dealers and for the general enforcement of the various provisions of this chapter in the protection of the public.

Further, the code specifies that "setting standards" is one of the functions of the various bureaus in the Department of Consumer Affairs.

The need for repair standards applies especially to television repair. Such a need applies to a lesser degree to repair of appliances and certain other electronic equipment, since this equipment is simpler in construction than television sets.

Registration

Evidence of technical competency is not required to become registered as a service dealer. Under current procedures, any individual who submits a \$50 registration fee may operate as a service dealer. A state examination program, if authorized and properly administered, could upgrade the quality of repair service by requiring that applicants have a basic knowledge of repair procedures before being registered to perform repairs.

Based on a review it made, the bureau recommends that registration be implemented.

The increased costs of examination can be offset by an examination fee as is done by other boards and bureaus in the Department of Consumer Affairs.

CONCLUSIONS

The Bureau of Repair Services cannot take effective action against incompetent repair dealers because the bureau has not instituted repair standards. Any person can become a service dealer regardless of his knowledge of proper electronic or appliance repairs.

RECOMMENDATIONS

We recommend that:

- The Bureau of Repair Services institute and enforce repair standards
- The Senate Government Organization Committee and the Assembly Finance, Insurance and Commerce Committee consider legislation that allows only those persons with a demonstrated proficiency in electronic or appliance repair to be registered as service technicians.

BENEFITS

Implementation of these recommendations will provide more efficient repair service, reduce safety hazards, and assure that repair technicians have a basic knowledge of the repairs to be performed.

COLLECTION OF ALL DELINQUENT RENEWAL
AND NONREGISTRATION FEES BY THE BUREAU
OF REPAIR SERVICES RATHER THAN BY THE
DIVISION OF INVESTIGATION WOULD SAVE
APPROXIMATELY \$25,600 ANNUALLY.

The Division of Investigation processed 193 delinquent renewal and 328 nonregistration cases for the BRS during fiscal year 1974-75. A service dealer's registration is delinquent if not renewed within 30 days of its June 30 expiration date. The Chief of the bureau stated that approximately the same number of cases will be processed in fiscal year 1975-76 at a projected cost of \$63,900.

There is no statutory requirement that the Division of Investigation perform this function for the bureau. The BRS could collect the delinquent renewal and nonregistration fees itself with two additional field representatives, one in Sacramento and one in Los Angeles. We estimate these two representatives would cost BRS \$38,300 per year, or \$25,600 less than the projected cost for the Division of Investigation to make the collections. The savings of \$25,600 could be used to implement the other recommendations in this report. These representatives would have about 14 percent of their time available to perform other duties for BRS, in addition to making collections.

CONCLUSION

The collection of delinquent renewal and nonregistration fees can be more economically performed by the Bureau of Repair Services.

RECOMMENDATION

We recommend that the bureau hire two additional field representatives to process delinquent renewal and nonregistration cases.

BENEFITS

Implementation of this recommendation will allow the bureau to use the additional \$25,600 for other bureau needs.

OTHER PERTINENT INFORMATION

The Bureau of Repair Services has no formal recourse for overpriced repairs. Under present statutes, service dealers may charge any price they wish for parts, labor or travel. Resultant complaints to BRS can only be resolved informally by persuading the dealer to make price adjustments on an individual basis. Although field representatives have demonstrated resourcefulness in adjusting approximately 27 percent of these price complaints, this informal method does not curtail overpricing.

In our judgment, the question of overpricing is not confined to BRS, but is a problem to most boards and bureaus in the Department of Consumer Affairs. We plan to consider this matter further in our continuing examination of operations of the Department of Consumer Affairs.



1020 N STREET, SACRAMENTO, CALIFORNIA 95814



December 15, 1975

Jack Merritt,
 Chief Deputy Auditor General
 Office of the Auditor General
 925 L Street
 Sacramento, CA 95814

Dear Mr. Merritt:

Our response to the "Report Of The Office Of The Auditor General To The Joint Legislative Audit Committee; The Bureau of Repair Services A Need For Operational and Management Improvement", December 1975 embraces two underlying conditions which must temper the ideas expressed in this report. The negation of either of these facts would cause the Bureau to take a less conservative stance toward the recommendations of the Auditor General. However, we must realistically consider both of the conditions when evaluating the various recommendations for change. The conditions are these:

1. The Bureau of Repair Services is acknowledged as a highly successful prototype governmental regulatory agency in its field. Seven other states have copied the Bureau's law and have sought its operational advice. In addition, several other states are in the process of adopting this model regulatory system. The Bureau has the highest complainant satisfaction rate (see Figure 1) of any measured agency,

FIGURE 1Satisfaction of Complainants 1/

<u>BOARD OR BUREAU</u>	<u>PERCENT OF COMPLAINANTS SATISFIED</u>
Repair Services	45.0%
Contractors	41.0%
Collection & Invest. Services	37.5%
Pharmacy	35.0%
Medical Examiners	21.0%
Dental Examiners	8.0%

1/ Assembly Committee on Ways and Means, Interim Study of Department of Consumer Affairs, March 1972, page 4.

and is acknowledged as responsible for a significant reduction in parts fraud between television repairs performed in California and those in other states.^{2/} The Bureau has even satisfied the critical pen of CONSUMER REPORTS Magazine which wrote, "without question, consumers having problems with television, radio and related repairs have a much better chance of getting those problems straightened out in California than in most places."^{3/}

2. The Bureau's financial condition is such that new programs or expansion of existing operations is risky. Although reserves have been adequate in the past, the trend to consolidated service dealers, with its resultant decline of revenue, and inflationary program cost increases portend a lean future. Indeed, should current cost and revenue trends continue unabated, the Repair Services Fund will be in deficit by the end of fiscal year 1977/78. Although there is legislation pending which would allow a fee increase and, thus, adequate reserves, all new proposals must be considered in terms of their long-range cost impact. Each recommendation is discussed below.

Page 12
Recommendation #1

Many service dealers already have the statement required by Regulation 2724(f) printed on the customer's copy of the service invoice; however, the next time regulations are adopted, the Bureau will recommend that it become a universal requirement.

Recommendation #2

For the past 6 to 8 months, most complaints received are on Bureau complaint forms or one-stop complaint forms distributed by the Department of Consumer Affairs. Approximately 20% are letters. Our experience has demonstrated that it is necessary for the questions on our complaint form to be answered for efficient and thorough mediation of the complaint by the field representatives. Of the letter-type complaints, 40 to 50 percent respond to our request with fully documented and signed complaint forms. At the end of 30 days, the remainder are reviewed by the Bureau's Program Manager and those which in his opinion, are of a serious nature are forwarded to the appropriate field representative for mediation.

One of the reasons the Bureau is a successful complaint handling agency is that we obtain all of the necessary information from both parties so that a complaint can be intelligently and fairly mediated.

^{2/}Phelan, John J. Regulation of The Television Repair Industry in Louisiana and California, Staff Report to the Federal Trade Commission, p.3.

^{3/}Consumer Reports, "TV Repair Woes: Light at The End of The Tube", July, 1971, p. 440.

It is important to note that the Assembly Ways and Means staff study indicates that none of those complainant who expressed dissatisfaction with the Bureau gave delays in processing their complaints as a reason.^{4/} Furthermore, an unpublished Bureau-conducted study of complainants who do not return the written Bureau complaint form indicates that, for the most part, the policy of requiring the written form is achieving its purpose. Figure 2 shows the results of this survey.

FIGURE 2

EXPRESSED REASON FOR NON-RETURN OF COMPLAINT FORM

	<u>Number</u>	<u>Percent</u>
Satisfaction Achieved in Meantime <u>a/</u>	5	42%
Discovered Complaint non-jurisdictional <u>b/</u>	3	25%
Lost Interest or Complaint Form	2	16.5%
Unable to locate complainant	2	16.5%
	<u>n= 12</u>	<u>100%</u>

a/ Often as a result of the complaint

b/ Mostly overpricing complaints

As a result of the Auditor General's recommendation, the Bureau is revising the letter which accompanies the complaint form to provide more encouragement for the complainant to complete the form and return it.

The recommendation that the Bureau should process complaints whether or not the service dealer is registered, and even if a special investigation is being conducted, will be considered for possible implementation in part.

Processing of consumer complaints against a service dealer who is not registered is possible, but such activity could weaken the Bureau's case against the service dealer for failure to register if the consumer complaint is resolved and the consumer no longer wishes to testify against the service dealer in a criminal action.

The processing of consumer complaints against a service dealer who is under special investigation should not be considered since the success of a special investigation is greatly depended upon the fact that the service dealer is not aware of such a special investigation. Contacting him during the period of time sets are being run would make him cognizant of the Bureau's activities and reduce the chances for success in the special investigation.

^{4/} Assembly Committee on Ways and Means, op. cit. p. 18

Jack Merritt
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December 15, 1975

Page 13
Recommendation #3

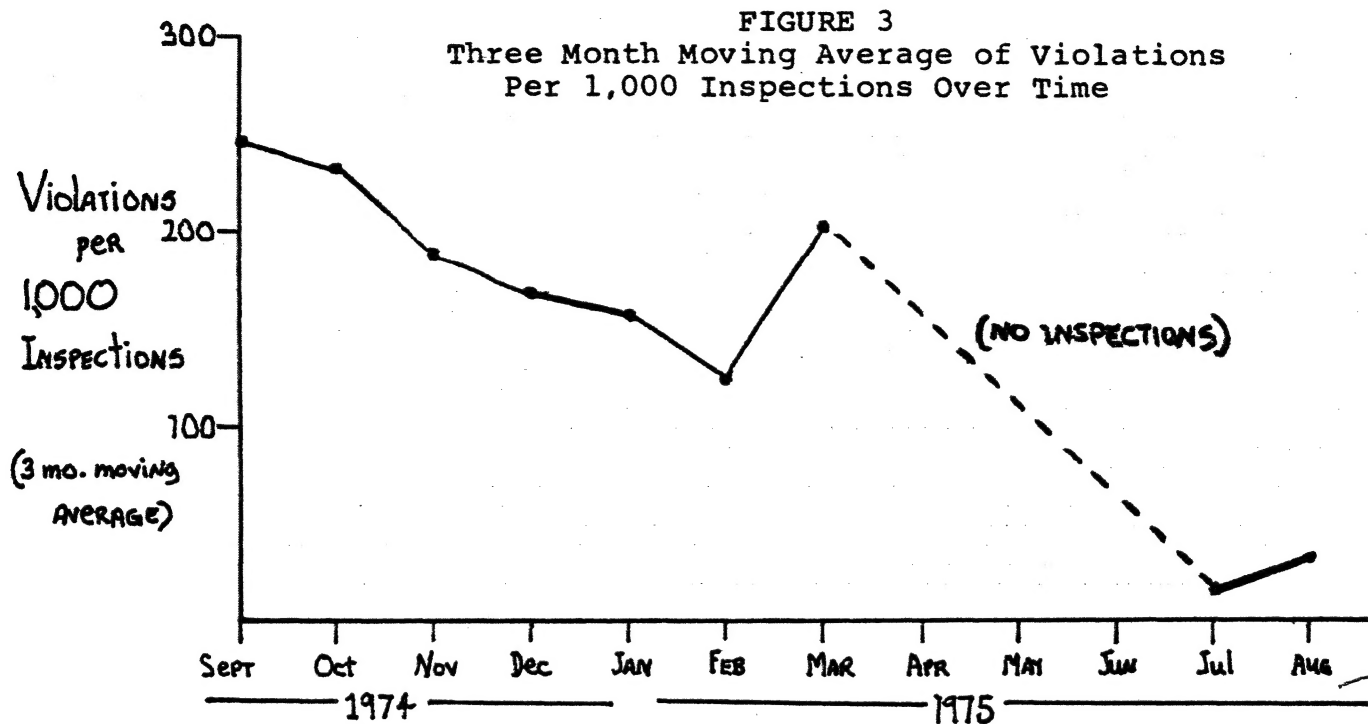
We are studying this proposal to see if the benefits will outweigh the costs.

Recommendation #4 and #5

The Bureau agrees that the field representatives require additional background information on an individual complaint, as indicated in the report. As a result of this recommendation, the Bureau has instituted a policy of routinely noting on each new complaint received, the number of closed complaints, pending complaints, and special investigations on the dealer. Field Representatives will be given the opportunity to request the full complaint file history on any dealer based on this information and their professional judgement. This should achieve the goal of improved dealer history information without the necessity of decentralizing registration and complaint files. The Bureau is concerned that an alteration of the present file maintenance system would disrupt their registration and renewal process, result in varied standards of file quality, and cause storage space problems in the Los Angeles field office. File decentralization will be considered as a component of the study of recommendation #3 above.

The top three dealers on each field representative's list of suspect service dealers are the most flagrant violators in his territory. The other seven dealers listed are simply potential targets for undercover investigation who are being monitored to determine the severity of their infractions. Special investigations are very complex and expensive. The field representative, to be successful, must carefully plan each investigation according to the service dealer's method of operation. For example the undercover operator and the facility must be just right; even the set must match the operator's furniture to prevent the suspect service dealer from becoming aware that the state is investigating him.

Unannounced spot check investigations are presently being performed by the State Division of Investigation inspectors who randomly check service dealers for law violations on a continuing statewide basis. 2,145 dealers were inspected in this fashion during fiscal year 1974/75 and 234 violations were uncovered as a result. That these random inspections have resulted in corrective action and deterrence is demonstrated by Figure 3, which shows the ratio of violations per 1,000 inspections over time.



The use of random undercover special investigations would be costly and would impede the ongoing investigations of service dealers who are suspected of being fraudulent.

The Bureau field representatives identify suspected fraudulent repair service dealers by evaluating the complaints received or by tips from law enforcement agencies and consumer complaint handling groups.

Special investigations of this type achieve two purposes: (1) the punishment of offending dealers, and (2) deterrence of other dealers from engaging in dishonest practice. Random special investigations would be far less likely to result in the identification and penalty of offenders than does the present mode of preselection of likely candidates. The Bureau feels that the deterrent effect obtained by preselected or random investigations would be equal. Thus, the Bureau has chosen to confine its special investigations to those dealers who are deemed most likely to result in conviction.

Page 16
Recommendation #6 and #7.

Establishment and enforcement of repair standards cannot be implemented, in our opinion, unless the servicing technicians are competent and are held accountable for their work. In order to assure competency in the television repair field, we agree that legislation should be considered to require prerequisite examinations, or a reasonable alternative, for technicians.

The Bureau has, in the past, supported unsuccessful legislation which would have required competency testing and state licensing of repair technicians. A report to the Bureau on the subject concludes that licensing is the best method to assure competency.^{5/} The public health and safety,^{6/} the lack of a priori repair quality knowledge,^{7/} and the Bureau's experience with incompetent repairs ^{8/} are cited as support for repair technician licensing. A study task force composed of industry, staff, and consumer representatives has been formed to research alternative policies and to draft any necessary legislation.

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Recommendation #8.

Although the Bureau finds that the cost savings stated in the report may be overestimated, (see Figure 4) it shall give serious consideration to the substitution of full time field representative personnel for the contract Division of Investigation labor. The Bureau must weigh the increased ability to handle complaints in addition to delinquent renewal collections against the budgetary inflexibility constraint of new personnel.

FIGURE 4

ESTIMATED SAVINGS: SUBSTITUTION OF FIELD REPRESENTATIVE FOR
DIVISION OF INVESTIGATION CONTRACT LABOR

	<u>ANNUAL COST</u>
Field Representative (mid-range)	\$ 16,608
Staff Benefits (13.5%)	<u>2,242</u>
TOTAL PERSONAL SERVICES	\$ 18,850
Automobile(\$5,000 depreciated 5 yrs)	\$ 1,000
Travel Expense - in state	4,000
Rent	600
Telephone, postage	1,000
Departmental Pro-rata (14.7% personal services)	<u>2,770</u>
TOTAL COST	\$ 28,220

^{5/} Papathanasis, Anastasios, Television Technician Licensing: An Inquiry, September 30, 1975, p. 25.

^{6/} Ibid, p. 19, 20.

^{7/} Ibid, p. 9.

^{8/} Ibid, p. 2.

Jack Merritt
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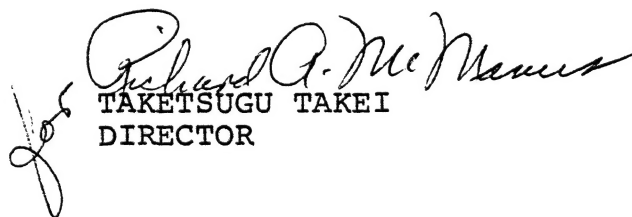
Cost Savings:

	<u>Annual Cost</u>
Projected Division of Investigation Cost	\$ 63,900
Less Two Field Representatives	-56,440
SAVINGS	<u>\$ 7,460</u>

In summary, the Department of Consumer Affairs and the Bureau of Repair Services consider the recommendations in this report to be highly constructive.

Each of the areas addressed in the report will be considered carefully by the Bureau's staff and appropriate corrective action taken.

Very sincerely,


TAKETSUGU TAKEI
DIRECTOR

TT:sp

Office of the Auditor General

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps